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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

MAY 14 1992

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1992

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

PROCESSED BY

Commission File Number 0-177--

MAY 18 1992

Microfilmed by

SYNTEC, INC.

Q-Data Corp. - St. Petersburg, FL

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)11-2975182
(I.R.S Employer
Identification No.)100 Summit Avenue
Montvale, New Jersey
(Address of principal executive offices)07645
(Zip code)

Registrant's telephone number, including area code: (201) 358-5300

Indicate by check mark whether the registrant (1) has
filed all reports required to be filed by Section 13 or 15(d) of
the Securities Exchange Act of 1934 during the preceding 12 months,
and (2) has been subject to such filing requirements for the past
90 days. Yes ☒ No ☐Indicate the number of shares outstanding of each of the
issuer's classes of common stock, as of the latest practicable
date.Class _____
Common Stock
par value \$.01 per shareOutstanding at May 12, 1992
8,010,448 shares

SYNETIC, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SYNETIC, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands)

ASSETS

	March 31, 1992 (unaudited)	June 30, 1991
CURRENT ASSETS:		
Cash and cash equivalents.....	\$ 22,279	\$ 9,866
Accounts receivable, net of allowance for doubtful accounts and sales returns of \$1,407 and \$257 at March 31, 1992 and June 30, 1991, respectively.....	10,750	4,580
Inventories.....	8,800	4,922
Marketable securities.....	-	14,800
Other current assets.....	1,328	680
Total current assets.....	<u>43,157</u>	<u>34,848</u>
PROPERTY, PLANT AND EQUIPMENT:		
Land and improvements.....	345	454
Buildings and improvements.....	5,924	5,843
Machinery and equipment.....	11,141	11,049
Furniture and fixtures.....	1,689	1,622
Construction in progress.....	1,691	736
	20,790	19,704
Less: Accumulated depreciation.....	(9,067)	(9,694)
Property, plant and equipment, net....	<u>11,723</u>	<u>10,010</u>
OTHER ASSETS:		
Goodwill and other intangible assets, net of accumulated amortization of \$337 and \$100 at March 31, 1992 and June 30, 1991, respectively.....	24,513	1,322
Marketable securities.....	87,000	-
Other.....	4,801	53
Total other assets.....	<u>116,314</u>	<u>1,375</u>
	<u>\$171,194</u>	<u>\$46,233</u>

The accompanying notes are an integral part of these balance sheets.

SYNETIC, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
(in thousands, except share data)

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31, 1992 <u>(unaudited)</u>	June 30, 1991 <u></u>
CURRENT LIABILITIES:		
Current portion of long-term debt.....	\$ 664	\$ 666
Accounts payable.....	3,358	692
Accrued liabilities.....	7,519	2,120
Income taxes payable.....	595	940
Total current liabilities.....	<u>12,136</u>	<u>4,418</u>
LONG-TERM DEBT, LESS CURRENT PORTION.....	<u>81,784</u>	<u>1,875</u>
OTHER LIABILITIES.....	<u>4,874</u>	<u>374</u>
STOCKHOLDERS' EQUITY:		
Preferred stock, \$.01 par value; 10,000,000 shares authorized; none issued.....	-	-
Common stock, \$.01 par value; 50,000,000 shares authorized; 8,010,245 and 7,075,925 shares issued and outstanding at March 31, 1992 and June 30, 1991, respectively.....	80	71
Paid-in capital.....	48,002	18,823
Retained earnings.....	24,318	20,672
Total stockholders' equity.....	<u>72,400</u>	<u>39,566</u>
	<u>\$171,194</u>	<u>\$46,233</u>

The accompanying notes are an integral part of these balance sheets.

SYNETIC, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

Quarters and Nine Months Ended March 31, 1992 and 1991

(in thousands, except per share data)

(unaudited)

	Quarters Ended March 31,		Nine Months Ended March 31,	
	1992	1991	1992	1991
Net sales.....	<u>\$15,318</u>	<u>\$6,296</u>	<u>\$40,754</u>	<u>\$17,413</u>
Costs and expenses:				
Cost of sales.....	11,163	3,574	29,243	10,222
Selling, general and administrative.....	<u>2,163</u>	<u>1,529</u>	<u>6,306</u>	<u>4,561</u>
	<u>13,326</u>	<u>5,103</u>	<u>35,549</u>	<u>14,783</u>
Operating income.....	<u>1,992</u>	<u>1,193</u>	<u>5,205</u>	<u>2,630</u>
Other income (expense):				
Dividend income.....	128	208	463	744
Interest income and other expenses, net.	1,699	(45)	2,413	(161)
Interest expense.....	<u>(1,502)</u>	<u>(59)</u>	<u>(2,053)</u>	<u>(199)</u>
	<u>325</u>	<u>104</u>	<u>823</u>	<u>384</u>
Income before provision for income taxes	2,317	1,297	6,028	3,014
Provision for income taxes.....	<u>934</u>	<u>456</u>	<u>2,382</u>	<u>975</u>
Net income.....	<u>\$ 1,383</u>	<u>\$ 841</u>	<u>\$ 3,646</u>	<u>\$ 2,039</u>
Net income per share.....	<u>\$ 0.17</u>	<u>\$ 0.12</u>	<u>\$ 0.46</u>	<u>\$ 0.28</u>
Weighted average shares outstanding.....	<u>8,278</u>	<u>7,285</u>	<u>7,887</u>	<u>7,262</u>

The accompanying notes are an integral part of these statements.

SYNETIC, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Nine Months Ended March 31, 1992 and 1991

(in thousands)

(unaudited)

	1992	1991
Cash flows from operating activities:		
Net income.....	\$ 3,646	\$ 2,039
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization.....	1,425	1,087
Changes in operating assets and liabilities, net of effects of the acquisitions:		
Accounts receivable, net.....	377	402
Inventories.....	(842)	(814)
Other assets.....	(640)	(150)
Accounts payable.....	147	140
Accrued liabilities.....	(1,208)	(261)
Income taxes payable.....	(277)	371
Other.....	(195)	4
Net cash provided by operating activities.....	<u>2,433</u>	<u>2,818</u>
Cash flows from investing activities:		
Net (purchases) sales of marketable securities..	(72,605)	4,800
Cash paid for acquired businesses.....	-	(873)
Capital expenditures.....	(2,443)	(904)
Other.....	(1,855)	-
Net cash provided by (used for) investing activities.....	<u>(76,903)</u>	<u>3,023</u>
Cash flows from financing activities:		
Proceeds of common stock offering, net of underwriting discount.....	8,756	-
Proceeds from exercise of stock options and 401(k) purchases.....	372	35
Payments of long-term debt.....	(593)	(557)
Proceeds from issuance of long-term debt, net of underwriting discount.....	78,689	-
Other.....	(341)	-
Net cash provided by (used for) financing activities.....	<u>86,883</u>	<u>(522)</u>
Net increase in cash and cash equivalents.....	12,413	5,319
Cash and cash equivalents, beginning of period.....	9,866	3,707
Cash and cash equivalents, end of period.....	<u>\$22,279</u>	<u>\$ 9,026</u>

The accompanying notes are an integral part of these statements.

SYNETIC, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Financial statement presentation:

In the opinion of management, the accompanying consolidated financial statements contain all normal and recurring adjustments necessary to present fairly the financial position of Syntetic, Inc. and subsidiaries (the "Company") as of March 31, 1992 (unaudited) and June 30, 1991 (audited), and the results of their operations and their cash flows for the quarters and nine months ended March 31, 1992 and 1991 (unaudited).

The accounting policies followed by the Company are set forth in the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1991, which notes are incorporated herein by reference.

The results of operations for the interim periods presented are not necessarily indicative of the results to be expected for the full fiscal year.

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

(2) Inventories:

Inventories consisted of the following (in thousands):

	March 31, 1992 (unaudited)	June 30, 1991 <u> </u>
Raw materials and supplies...	\$2,076	\$2,293
Work-in-process.....	468	378
Finished goods.....	6,256	2,251
	<u>\$8,800</u>	<u>\$4,922</u>

(3) Marketable securities:

At March 31, 1992, marketable securities consisted of U.S. Treasury Notes.

(4) Acquisition of the Institutional Division of Rix Dunnington, Inc. and Allcare Medication Services, Inc.:

In September, 1991, the Company acquired the business and assets of the Institutional Division of Rix Dunnington, Inc. and Dunnington Super Drug, Inc. ("Dunnington") for a total consideration of up to \$16,000,000. The former owners of Dunnington received 424,652 shares of the Company's common stock valued at \$11,500,000 at closing and are entitled to receive up to an additional \$4,500,000 which is represented by 166,168 shares of the Company's common stock upon attainment of certain financial targets for the two fiscal years ending June 30, 1993. The Company has the option of paying cash in lieu of issuing shares of the Company's common stock.

In February, 1992, the Company acquired the business and assets of Allcare Medication Services, Inc. ("Allcare") for an initial payment of 226,169 newly-issued shares of the Company's common stock with a then current market value of \$10,000,000. The former owners of Allcare may receive an additional payment of up to \$5,000,000 upon achievement of certain financial targets for the three calendar years ending December 31, 1994. The Company has the option of making such payments in additional shares of the Company's common stock or cash.

The acquisitions have been recorded using the purchase method of accounting. The excess of the purchase price over the fair value of the assets acquired in these acquisitions is being amortized on a straight-line basis over various periods up to 40 years.

The following summary of the unaudited pro forma consolidated results of operations of the Company for the nine months ended March 31, 1992 and 1991 assumes the acquisitions occurred as of the beginning of the respective periods. These pro forma results have been prepared for comparative purposes only and do not purport to be indicative of the results of operations which actually would have resulted had the acquisitions occurred at the beginning of the respective periods, or which may result in the future. (In thousands, except per share data).

	Nine Months Ended	
	March 31,	
	<u>1992</u>	<u>1991</u>
Net sales.....	\$49,469	\$41,786
Net income.....	4,333	3,450
Net income per share.....	0.53	0.44

(5) Issuance of debentures and common stock:

In December 1991, the Company issued to the public \$80,500,000 aggregate principal amount of its 7% Convertible Subordinated Debentures due 2001 (the "Debentures"). The Debentures are convertible at any time prior to maturity, unless previously redeemed, into shares of the Company's common stock at a conversion price of \$40.80 per share, subject to adjustment under certain circumstances.

In December 1991, the Company also issued to the public 265,348 shares of its common stock for \$33 per share net of the underwriting discount. The net proceeds of these offerings will be used for general corporate purposes, as well as the Company's acquisition program.

(6) Computation of net income per share:

Net income per share was determined on the basis of the weighted average number of shares of common stock and common stock equivalents outstanding during the applicable periods. Common stock equivalents consist of outstanding stock options as calculated using the treasury stock method. The Debentures, if converted, would not have had a dilutive effect on net income per share during the periods presented.

(7) Supplemental cash flow information (in thousands):

Cash paid during the periods for:	March 31,	
	<u>1992</u>	<u>1991</u>
Interest.....	\$ 142	\$214
Income taxes.....	2,535	596

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Results of Operations:

Net sales for the quarter and nine months ended March 31, 1992 increased by \$9,022,000 or 143% and \$23,341,000 or 134%, respectively, over the comparable prior year periods due to (i) the inclusion of Dunnington and Allcare results of operations in the current year which contributed \$7,933,000 and \$19,890,000 of the respective increases and (ii) increases during the respective periods in the net sales of Porex Technologies Corp. ("Porex") of \$1,089,000 or 17% and \$3,451,000 or 20%. Porex's sales increase was due principally to increased unit sales of blood serum filters in the healthcare market segment and increased unit sales of writing instrument components in the consumer products area.

Cost of sales for the quarter and nine months ended March 31, 1992 increased by \$7,589,000 or 212% and \$19,021,000 or 186%, respectively, over the comparable prior year periods. Of these increases, \$6,762,000 and \$16,792,000 were related to the operations of Dunnington and Allcare for the respective periods, whereas at Porex, the increases of \$827,000 or 23% and \$2,229,000 or 22% during the periods resulted from the increased unit sales noted above. As a percentage of its net sales, Porex's cost of sales for the quarter ended March 31, 1992 increased to 60% from 57% in the prior year quarter due principally to increased sales of lower margin products in the current quarter, but remained relatively constant at 59% for the nine month periods.

Selling, general and administrative expenses for the quarter and nine months ended March 31, 1992 increased by \$634,000 or 41% and \$1,745,000 or 38%. Of these increases, \$472,000 and \$1,267,000 were related to the operations of Dunnington and Allcare during the respective periods, and at Porex increases of \$162,000 and \$270,000 for the respective periods were due principally to higher personnel costs associated with the increased sales volumes. As a percent of its net sales, Porex's selling, general and administrative expenses were 23% for the quarter and nine months ended March 31, 1992 as compared to 24% and 26% for the comparable prior year periods. These declines were due principally to increased sales which were not proportionately offset by additional selling, general and administrative expenses, since a portion of such expenses are fixed and do not vary directly with sales.

Other income (expense) for the quarter and nine months ended March 31, 1992 increased by \$221,000 and \$439,000, due to increased investment income which resulted from the investment of the proceeds of the Company's Debenture and common stock offerings, partially offset by increased interest expense associated with the Debentures.

For the quarter and nine months ended March 31, 1992, the

effective tax rate was 40% which was greater than the statutory rate due to the inclusion of state income taxes partially offset by investment income subject to a dividend exclusion.

Capital Resources and Liquidity:

The working capital and current ratios of the Company are set forth below:

	<u>March 31, 1992</u>	<u>June 30, 1991</u>
Working capital.....	\$31,021,000	\$30,430,000
Current ratio.....	3.6 to 1	7.9 to 1

Cash, cash equivalents and marketable securities increased by \$84,613,000 during the nine months ended March 31, 1992. This increase was due principally to the proceeds received from the common stock and Debenture offerings during the period. The proceeds of these offerings will be used for general corporate purposes and the Company's acquisition program.

The Company believes that its cash flow from operations and excess funds are sufficient to meet the anticipated working capital requirements of its businesses.

SYNETIC INC. AND SUBSIDIARIES

PART II. OTHER INFORMATION

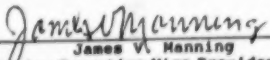
ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

- (a) No exhibits are required to be filed with this report.
- (b) During the quarter ended March 31, 1992, the Company filed a current report on Form 8-K dated March 12, 1992 regarding the Company's acquisition of Allcare.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SYNETIC, INC.


James V. Manning
Senior Executive Vice President-
Finance and Administration and
Chief Financial Officer

Dated: May 14, 1992